




STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES

October 28, 2009

TO: ADSA Staff and Stakeholders

FROM: Kathy Leitch, Assistant Secretary 
Aging and Disability Services Administration

SUBJECT: Preparing for the 2010 Supplemental Budget Process

On April 29, 2009, just after the last legislative session ended, I sent you a letter that outlined the results of one of the most difficult sessions in memory. In that letter legislative members, legislative staff, stakeholders and advocates were recognized for working with ADSA and each other with respect, professionalism, and candor as our bleak financial picture became increasingly clear. I thanked ADSA's employees for staying on track with their work and focusing on serving clients while almost every possible option for program changes and large budget cuts were reviewed.

I am asking you to again hold to those values as we approach 2010 and the executive and legislative branches struggle with decisions that will be equally difficult, if not more difficult, than what they faced only six months ago. While there is reason for optimism in the long term, for this biennium we are still in the midst of a fiscal crisis. Although the recession has eased, the revenue projections for the current biennium are now lower than the February forecast on which the Legislature built the FY 2009-2011 budget.

In my letter of April 29, I outlined just over \$300 million in budget reductions ADSA was instructed to make. Many of those have happened, but litigation has prevented us from implementing a number of them. Apart from the merits or final resolution of those cases, the budgetary result is that we have had to continue programs and rates at levels above what was legislatively funded.

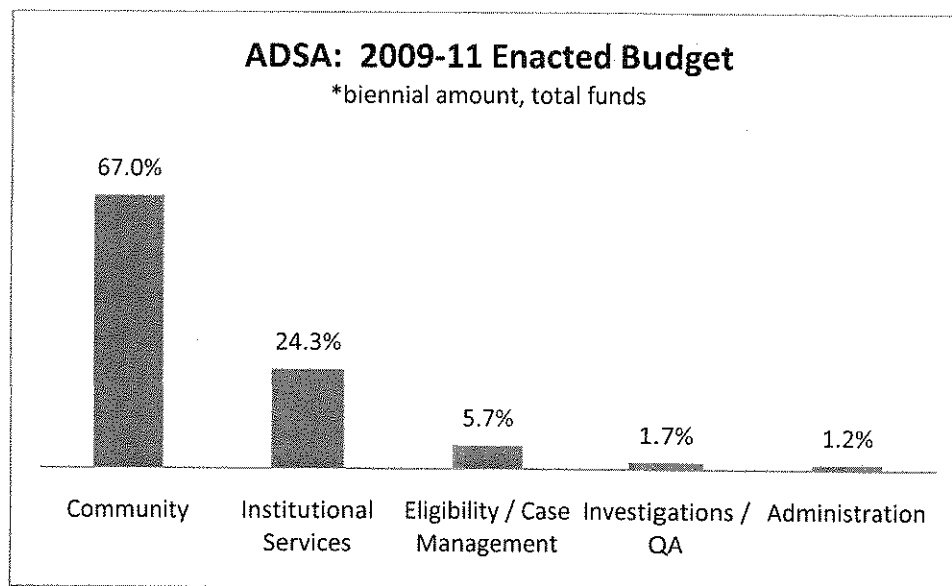
We are now beginning to address the budget shortfall, mostly in connection with the process that will produce the 2010 Supplemental Budget.

As the first step, DSHS has been asked to produce 2% in savings in expenditures of state funds. Some of the necessary savings can be accomplished through administrative actions, but most require legislative decisions. We have provided

proposals to the Office of Financial Management for consideration by the Governor as she prepares her budget proposal, which is due in December.

Deciding how to reach 2% in overall savings is complicated by several factors:

- By the time legislative decisions are made, only about half of the biennium will remain, which means changes will generally need to be concentrated in FY2011.
- The federal stimulus legislation that provided extra federal match for ADSA programs that has helped avoid deeper cuts also included a requirement that states maintain certain programs. By one Senate budget staff estimate, only about 12% of the funding for low-income healthcare and aging and disability services can be reduced without impacting that maintenance of effort requirement.
- As you can see below, only 1.2% of the ADSA budget goes to administrative costs, and there is no way to make cuts of this magnitude without reduced client services, delays in eligibility response, or impacts in protective services or licensure activities.



The three points above mean almost any reduction:

- Would be concentrated in the last part of the biennium;
- Would have to come from a relatively narrow slice of our overall budget;
- Would unavoidably affect clients.

Last session the legislature made across-the-board reductions. That option does not appear viable for future cuts.

In that context, the details of the DSHS responses to OFM's request (including ADSA's) can be found at: <http://www.dshs.wa.gov/budget/>. Scroll down the page to "2010 Supplemental Budget Agency Request (click here)". Overall, ADSA's target is around \$100 million in reductions. Here is a summary of ADSA's proposals:

- Delaying increased training and certification requirements for long-term care workers from January 2011 to the next biennium.
- Increasing revenues by raising license fees for nursing homes, boarding homes, and adult family homes.
- Reducing state payments for health care for employees of agency personal care providers.
- Eliminating the automatic increases to the hourly rate paid to agency providers of personal care based on the increases in the collective bargaining agreement for individual providers of personal care.
- Reducing the hourly rate for agency personal care providers by 4 percent.
- Requiring people to be more disabled to qualify for the Medicaid Personal Care program, terminating in-home personal care services for 1,400 clients.
- Reducing by 40 percent, funding for the Volunteer Chore Services Program.
- Eliminating the state-only-funded Employment and Day services for 200 people with developmental disabilities.
- Slowing the phase-in of the Children's Intensive In-home Behavioral Support (CIIBS) program for people with developmental disabilities (46 fewer clients in FY10, 25 fewer in FY11).
- Phased reduction through attrition of clients from the Adult Day Health Program (248 fewer clients in FY2010, 417 fewer in FY2011).
- \$10.9 million in administrative reductions, by not filling/eliminating ADSA vacant positions, staffing reductions and reducing equipment, communication, goods and services, and travel expenses.

As you know, this is only the start of a long dialogue that will result in final budget decisions this spring. With the exception of the administrative reductions (which we have been making and will continue to make), and the slow-down of CIIBS enrollment (which we are currently implementing), these proposals will be considered by the Governor. If she includes them in her budget proposal they would then be considered by the Legislature. Of course, other alternatives could emerge at any point.

I encourage you to help us find solutions. I will continue my commitment to provide updated information as major milestones in the process are reached.